BUSINESS RESOURCE CENTRE

Marketing

MARKETING

SMALL BUSINESS MANAGEMENT SYSTEMS

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Note To Reader

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INTRODUCTION

"If a man can write a better book, or preach a better sermon, or make a better mousetrap than his neighbours, the world will beat a path to his door, though he built his house in the woods."

It is unfortunate, but many independent businesses are so busy coping with the day-to-day details of operating their business that they have little time to sit down and contemplate the future. And contrary to the "better mousetrap" adage, an entrepreneur cannot wait for the world to come knocking on his door, for they will more likely already have purchased their mousetraps from someone who took the initiative to knock on **their** doors. Businesses have to take action to put their product in the hands of potential customers. Activities undertaken to do so are part of the **marketing** function, and they include pricing, advertising, distributing, displaying, packaging, labelling, product designing, and so on.

These activities create a wide range of decisions which have to be made, decisions which are more easily made if there is some overall direction or plan which is being followed. The four elements of market planning are:

1 assessing the market, or conducting market research;

2 setting objectives;

3 developing an action plan; and

4 evaluating and monitoring results.

A basic rule of thumb that should guide marketing decision-making is that answers can be found by looking to the customer. A business that does not attend to the needs, tastes, habits, resources, etc. of its customers will probably soon find itself without customers. A customer-oriented philosophy will not ensure the success of a business, but it certainly will lessen the probability that the business will end up as another bankruptcy statistic. You will find as you read this book that this concept is repeated again and again, especially in those sections which discuss the marketing action plan.

Most independent businesses lack the resources to staff and finance a marketing department, and so they are left on their own to make all marketing decisions. This book is intended to provide Manitoba entrepreneurs with some guidelines to the formulation of a marketing plan, hopefully raising questions that at a minimum are given some consideration. It should not be assumed that this handbook is a thorough examination of the subject of marketing. Additional sources of information are listed on page 21, and they should be consulted if a more indepth study of marketing is required.

The handbook is written for use by all independent entrepreneurs, but is perhaps geared more toward retailers than manufacturers. Certain sections, well defined, are intended only for either retailers or manufacturers.

Since the world may not be beating down your door to buy your newly developed mousetrap, you will have to take steps to bring the mousetrap to the world. It is hoped that by reading this book you will be able to set out at least somewhat prepared.

ASSESSING THE MARKET – MARKETING RESEARCH

Every business person needs information upon which to base his/her marketing decisions. Marketing research has been defined as the systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services. Its purpose is to help the entrepreneur make better decisions and avoid committing costly mistakes. The time and dollars spent on marketing research, regarded by many small businesses as frivolous, can in fact be quite valuable, either by illuminating unknown opportunities, or by exposing possible risky situations.

Market research efforts are commonly centered around developing sales forecasts, determining market and sales potentials, designing products, evaluating advertising, and determining consumers' motives for purchasing. There are generally three areas covered: (1) the consumer; (2) the competition; and (3) the environment. Assessing these three areas should yield an estimate of the product potential.

Data can be collected either from primary or secondary sources. Gathering information from primary sources involves, as is implied, going directly to the source, whether that be questioning competitors, surveying customers, etc. A first step, however, should be to collect background information by going to secondary sources, such as government publications, trade journals, telephone books, annual reports, and libraries.

Small entrepreneurs routinely gather market research information in the course of operating their business, without making formal efforts to do so. They chat with sales reps, customers and government officials from time to time. More formal and regular efforts to collect information could conceivably result in fewer lost opportunities. For a person starting out in business, to plunge ahead without doing any market research would be foolhardy.

There may be instances when the rewards to be gained from an opportunity are so obvious that to take the time to conduct research would only result in losing that opportunity. One must always try to gauge the value of the information in terms of its costs/benefits. A decision can sometimes be made without conducting market research because few further facts can be unveiled.

Specific information sought in the four areas should include:

1 The customer

It is very important to identify your **target market.** You need to know who will buy the product. These people can be categorized for identification purposes in two ways: (1) demographically, i.e., sex, age, ethnic background, where they live; (2) psychographically, this area deals with people's life styles, i.e., spending preferences — (holiday at Grand Beach or Grand Bahamas; Labatt's Blue or Blue Nun white).

Perhaps the single most important rule-of-thumb in Marketing is "**KNOW YOUR CUSTOMER**".

If you are an entrepreneur in Manitoba, your target market could be international, Manitoba wide, a specific area of the province, a town, a neighbourhood, etc. If you sell clothing, you could target your market as all men or all women, or all children, or pregnant women, and so on.

2 The competitor

Competitors must be identified so that they can be monitored. They should be analyzed to identify their strengths and weaknesses. Entrepreneurs can learn a great deal about the possible consequences of their decisions by studying what others have done and are doing in that particular market. Estimates of their sales volumes and market shares should be made, and reactions of firms to new entries should be judged. Your analysis of the competition should include an analysis of the reasons for their success. You want to know why customers are buying their products or shopping at their store. Obviously in some product areas, the existing businesses are so strong and well established that it would be nonsensical to even attempt to enter the market. A single entrepreneur would have great difficulty if he chose to compete head-on with a large food store, such as Safeway. He would be better advised to offer a somewhat different service — a neighbourhood location and longer hours, which would mean more convenient service. This choosing of an area of competition is called positioning.

3 The environment

A number of forces affect all businesses, and still others influence particular industries. One should attempt to judge what will happen to the economy — will interest rates rise? Will the rate of inflation increase? Governments impose many regulations (taxes, customs duty, health regulations, hiring practices) which affect operation of an enterprise. Imposing import quotas for certain products would help manufacturers of those products within Canada, but would adversely affect any business involved in importing and distributing the product.

Similarly, there are social and cultural forces which affect the viability of a business' operations. Trends in the 1970's and 1980's have been toward an increased awareness of health and care of the body, resulting in the marketing of physical activity products (racquets, jogging wear, cross-country skis) and health food (wheat germ, granola bars, wild rice). There are certain products which are "fad" products and they remain on the market for only a short while (pet rocks, hula hoops). An entrepreneur has to judge if his product will enjoy a long life, or if the forces which are buoying its performance in the marketplace will soon collapse.

Other political, economic and social forces must be considered for their potential effects on the product. The energy situation has led to the demise of certain products (the 390 V-8 car, the snowmobile) and has contributed to the use of others (insulation and weather stripping products).

One has to be aware of such forces, the opportunities they create and the ones they extinguish. Developments in such fields as economics, politics, and technology, have to be monitored.

4 Product potential

An examination of the three factors above should yield an assessment of the potential market for your product. Let us suppose, by way of example, that you, a resident of Flin Flon, have decided to look into manufacturing hockey sticks. Further, you have chosen to concentrate initially on the Flin Flon market. Your market analysis should examine, for starters:

- who is buying (and using) hockey sticks (their age, sex, etc.);
- how many hockey sticks are being sold in Flin Flon — broken down by size and type (LH, RH, straight blade);
- what proportion of the market each manufacturer controls;
- the quality and prices of each stick now being sold;
- where sticks are being sold in Flin Flon;
- if consumers are buying sticks outside of Flin Flon;
- qualities (and price ranges) consumers are looking for in hockey sticks;
- the future outlook for the hockey stick market (are there large number of children 1-5 who will be playing hockey in 5-10 years? Will government put restrictions on sticks being imported?).

The information can be obtained only with a little legwork. The local minor hockey association may be able to provide you with the number of children playing hockey, and a visit to the arena could yield an estimate of other groups. You can question local retailers, not only about the numbers of sticks being sold, but also about the types, and their prices. Retailers could also offer an assessment of your product.

Your analysis may yield an estimate of say, 10,000 hockey sticks as the number sold in Flin Flon per year. You could decide to concentrate on only a portion of the market, by producing good quality children's (down sized) sticks, the total market for which is about 3,000 per year.

If you needed to sell 5,000 hockey sticks per year in order to make a profit, then obviously you should not go ahead with your idea.

Your analysis will obviously be more detailed than that outlined. There are many production related questions that need to be answered as well, any of which could be stumbling blocks in your way. The example is provided simply to give you an idea of the sorts of information that you should be looking for.

OBJECTIVES – STRATEGIES:

The information gathering process should provide you with some insight into what the competition is doing, what the consumers are buying, and what the future may bring. The next step is to set some definite objectives for your marketing plan, and to select a basic strategy for achieving those objectives. Objectives should be stated in definite, measurable terms: increase sales by 25%; achieve a market share of 15%; increase profits by 10%. These objectives should be set in some time frame.

There are four basic strategies which might be used to achieve objectives. If you are just starting out in business, then only one of the four options is available to you (the last one):

1 **Market penetration**

This strategy involves more or less doing more of what is being done now, or selling more of the same products in the same places.

2 **Market development**

In this instance you take your product and move it into an expanded market or trading area. This might involve opening another store in another area of the city, or another town, or province. In our example, you could sell your hockey sticks across Manitoba, or perhaps across Canada.

3 **Product development**

This case involves increasing the product line within an existing market or trading area. For a retailer, it would mean stocking more items, and usually requires expanded premises and more expertise. The hockey stick maker might start manufacturing baseball bats or skis.

4 **Diversification**

This strategy combines (2) and (3), in that it involves selling a new product in a new area. This is what those who are just starting their businesses are doing. It is the most daring and most difficult of the four strategies, and it involves more risk than do the others.

THE ACTION PLAN

Implementing the strategy means that you have begun your venture. There are four specific weapons that you have at your disposal to help you conquer the market. They are the "4 P's" or product, price, place, promotion. The successful entrepreneur achieves his maximum profit by providing the right product at the right price in the right place with the appropriate amount of promotion. Marketing decisions are centered around these four variables, which are known as the marketing mix. Poor decisions regarding anyone of the four can lead to business failure. If our hockey sticks are priced at $18, we may not sell very many. Similarly, if we open our store in Bissett, business may not be as brisk as it might if we opened in Brandon. If only right-handed sticks are made, we may not sell as many as we might if both LH and RH were made.

A more thorough discussion of the 4 P's follows.

PRODUCT

The concept of looking to the consumer for answers applies particularly when designing the actual product/service to be provided. The product offered by the company should be one that meets the needs of the customer, not one that satisfies only the producer. For instance, you may be a lover of blueberry flavoured milk — but that does not mean that you should sell it in your store, as there may be no demand for such a product. As the owner of a record store, you should not sell only those records that meet your particular tastes (unless you share the tastes of the target market). It would be a bad business decision not to stock country music records if there was a strong demand for them in your area.

Another concept to be aware of is the "**total product concept**" or the idea that you are selling more than a physical product. The successful firm sells satisfaction, not products. A car dealer does not sell automobiles, he sells satisfactory individual transportation. The "product" includes offering a wide array of options to meet varying tastes, and as well it must include after sales service. An entrepreneur's approach in offering a "total" product to his customers could enable him to gain an edge over his competitors.

Different aspects of the "total product" can be emphasized to differentiate an entrepreneur's product from another's. The objective is to make your product different from the competition's either in actuality or in the mind of the consumer. Rather than competing head to head, offering the same product as the competition, you attempt to convince the customer that you are offering a different, and therefore better, product. Examples of this product differentiation abound: Midas Muffler emphasizes its life time guarantee; Minute Muffler its quick service; Sears its low cost.

Products can be differentiated from competitors by quality and durability, color, odor/flavor, and of course by service. For example, the five basic selling propositions for toothpaste are: taste, whitener, breath freshener, fluorides, and price. All advertise at least one, sometimes more than one to differentiate their product from others.

Markets for products can also be segmented, or divided into sub-groups. An entrepreneur can then choose to design a product or service specifically for that sub-group, rather than attempting to offer a product more suited for the general market. Rather than opening an auto parts store which stocks parts for all cars, you might stock exclusively foreign car parts, or GM parts, or small car parts. You have to be certain that the particular market segment you choose is sufficiently represented in your area to warrant an exclusive outlet. Like everything else, there is a good degree of common sense in this. A classical record store might do all right in Winnipeg, but there may not be enough classical music lovers to support such a store in, say, McCreary.

Consumer goods can be classified according to how people buy. There are four classifications generally used:

1 **Convenience goods**
Consumers want these products readily available, and will not spend time searching for them. Examples are cigarettes, soft drinks, milk.

2 **Shopping goods**
Are products consumers are willing to spend time shopping for in order to get the exact product they want. Examples are televisions, cars, and clothing.

3 **Specialty goods**
Consumers make special efforts to obtain these products and will not accept substitutes. One example is Dior fashions.

4 **Unsought goods**
These goods are either new products which the consumer is not yet aware of or is not interested in buying. They usually require a special kind of promotion to generate sales. An example is encyclopedias.

The classification of a particular product varies from person to person — what may be a convenience good to a rich person could easily be a shopping good to someone with less money.

Products, not unlike people, have life cycles. They move from birth through a period of growth to maturity, then level off somewhat before declining towards death. The decision on whether or not to produce or provide a particular item will depend in part on what stage in the life cycle the product is in. Some products have a short life cycle (pet rocks, mini skirts), while others enjoy more prolonged lives. An attempt should be made to understand the life cycle concept, so that (1) the proper form of advertising and promotion can be used, (2) products can be redesigned if necessary, (3) products can be dropped. There are 5 stages in the life cycle:

1 **Introduction**
In this stage, the product is launched, and the first barrier to overcome is people's lack of awareness of the product and its features. Sales will rise very slowly, and costs will be high. Promotion emphasis is on introducing the product to the public, and attempting to have people try the product.

2 **Growth**
In this stage sales rise rapidly, and a flood of competitors enter the market. Prices probably fall, which translates to even higher sales.

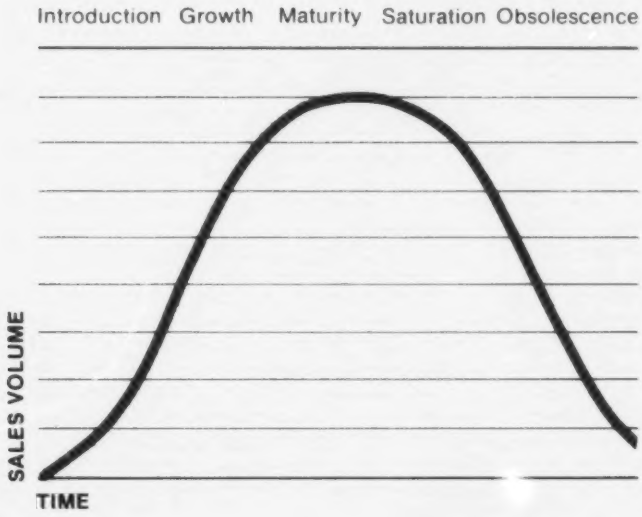
3 **Maturity**
At this stage the growth in sales begins to slow. Competitors modify their products, stressing design and style, and making annual model changes. Smaller firms fall by the wayside at this stage, overcome by the larger, higher volume dealers which can afford to offer lower prices and better service.

4 **Saturation**
Sales now stop growing and level off. Selling costs increase because most people, or all people who want to, now have the product.

5 **Obsolescence**
Sales drop off, never to regain their former levels. Prices are cut and advertising is reduced considerably. Many firms simply drop the product.

Marketers have to adjust the marketing mix at each life cycle stage in order to compete effectively and maximize profits. Prices, promotions, places and even the product have to be changed to properly fit the stage.

Differentiation and innovation can take a product life cycle and send if off on another whole life cycle. For instance, dentifrice at one point was only available as a powder, then toothpaste came along to rejuvenate a whole industry. When you hear the claim "new" or "improved" on T.V. the advertiser is trying to rejuvenate his product's life cycle.



PRICE

Your objective is to maximize long run profits. Hence price strategy plays an important role. The marketing function with regard to pricing is to use a marketing mix such that the product or service commands a premium price if possible.

Pricing has two basic functions: (1) to enable a business to cover costs and make a profit, and (2) to motivate customers to purchase products.

There are a number of factors which influence price:

1 Target market

The customer's ability and willingness to pay should be an important influence on the price charged for the product. Ability to pay is determined by income, while willingness is decided by taste and need.

2 Competition

Some businessmen use the competition's prices as starting points for their own. If your product is an improvement, you can price above the competition, as long as you communicate to your customers the reasons for the higher price (improved service, choice of color). For example, 7-11 and other convenience-type stores generally charge higher prices than do large grocery stores. They can do so because of the convenient service they offer. Pricing **below** the competition could lead to a "price war", which could be hazardous if the competition has more resources than you do.

If you are without competition, you may be able to charge higher prices than you could otherwise. However, if the prices you charge are too high and your profits exorbitant, then others will enter the market. Keeping profits and prices to a reasonable level may discourage the entry of other businesses.

3 Cost of merchandise

You will certainly not last long in business if the prices charged do not cover the cost you have paid for your merchandise. There may be certain situations when it is advantageous to set prices below cost, for the retail value of the merchandise to you is not what it cost, but what you can get for it. Hence, stores lower prices drastically in order to clear space for new products, or simply to move out products which are not selling.

Many retail stores use a simple **markup** system to price their products — using the cost of the product and adding a markup to this base. Markups vary by product, determined to a good degree by the turnover or sales volume of the product. Markups on large, low volume items (e.g. autos, appliances) are generally higher than on high volume goods (e.g. food items).

The cost of merchandise, though it certainly cannot be ignored in setting the price of a product, should not be the sole determinant of price.

There are a number of policies which can be followed in setting prices. Policies will vary by product, and certainly should change over time in order to ensure maximum profitability. Some policies which might be followed include:

1 **Competitive pricing**

As noted above, prices can be set above, below, or at competitive levels. Pricing with the competition is certainly a simple and workable policy.

2 **New product pricing**

In introducing a new product, two approaches could be followed. Prices could be set high (price skimming) if you feel that price is not an important determinant in making a sale or if you do not wish to be overwhelmed by more business than you can handle. Products priced higher in the initial stages of their life cycle sometimes are priced lower later on (for example, calculators, color televisions). A second approach (penetration pricing), involves setting low prices, so as to discourage potential competitors from starting business.

3 **Image and psychological pricing**

The prices charged for a product or products convey images to the customer. Many consumers equate price and quality and in some cases can be enticed into buying at higher rather than lower prices. Birks, with its high price policy, is a prestigious jewelry store. Certain stores follow low price policies (K Mart, Gambles) but they may not attract some people who will not buy low price products because they feel such merchandise is of low quality.

Other elements of psychological pricing include multiple pricing and odd pricing. Items will generally sell better if offered in multiple units (3 for 99¢) rather than in single units (30¢ each). Odd pricing examples abound: 98¢ instead of $1.00, $49.95 instead of $50.00, $198.00 instead of $200.00, etc. Some stores **do not** adjust prices in this manner because they feel it contributes to a low quality "bargain" image.

4 **Loss leader pricing**

This policy is followed often by supermarkets (e.g. Safeway). It involves selling a few items at low prices (even at losses) in order to attract customers to the store. Hopefully the consumers will purchase not only the loss leader items but others as well.

Price is a very important factor in the marketing mix. It affects sales volume, profits, the actions of competitors, and the image of the product or store. Proper pricing is necessarily a prerequisite of success.

PLACE

An essential element in the success of any business is having the product in the right **place** at the right time so as to maximize sales. If you have a hamburger stand set up on your lawn in Dauphin you would probably not sell as many hamburgers as you would if you set up at Portage and Main in Winnipeg. The place variable is discussed in this section in two distinct parts for two types of businesses: (1) for the retailer, the **location** of his outlet is a key determinant of success; (2) for the manufacturer, the **distribution** of his product to the proper outlets is the key element.

Retailer — Location

Location for the retailer is a **critical** factor. Common sense again prevails — locations should be in an accessible, high traffic, stable area. For a Manitoba retailer, the first decision is the choice of the town/city. Certain businesses (golf courses, service stations, motels) can be located along highways, but generally retail outlets are located within populated areas. Most people starting a small business are probably more concerned with choosing a site within a certain town or city.

There are a number of location situations which may be available to the prospective retailer. Obviously, the larger centres (Winnipeg and Brandon) have more choice in terms of location than do smaller towns. All the situations may not be available in some locales, but generally would be in larger towns:

1 **Shopping centers**
Sites are generally more costly, but offer traffic pulls, parking, long hours, and accessibility.

2 **Malls**
Malls are smaller collections of stores, located close to shopping centers (drawing on their traffic pull) or on their own.

3 **Central business district**
Generally the older section of town, with good pedestrian traffic, well serviced by transit, but parking may be a problem.

4 **String street or ribbon strip**
A street running into the business district, it has high vehicle traffic and is suited for restaurants, service stations, and hotels, i.e. Pembina Highway — Portage Avenue W.

5 **Store clusters**
On some streets small groups of stores can be found. Types vary, but usually include shoe stores, drug stores, convenience stores, banks, hairdressers, and bakeries.

In choosing the location, considerations include:

1 **Cost**
Locations most advantageous in other regards are generally most expensive (shopping centers and downtown). Location is so crucial to many retailers, however, that cost should not be the **determining** factor in choosing a location.

2 **History of the location**
If moving into a formerly occupied location, questions should be raised about its ex-occupants. What type of store was it? Why did they vacate? Were they successful? Was location an element of that outcome?

3 Traffic flow

The number of potential customers passing by a location is important. Traffic flow in shopping centers is higher than in smaller malls, largely due to the drawing power of the larger number of stores. Some streets have a higher traffic volume than do others, either in pedestrian or vehicular form. That traffic, of course, should contain a high proportion of the target market. The location of the target market is a closely related consideration, as the location chosen should be one that offers greatest exposure to that target market. If you are selling teenage clothing, you would not want to locate in an area of town populated by elderly people without children. Thus the site and characteristics of the area population are another consideration.

4 Legal restrictions

Some locations are not available to the retailer because of zoning regulations. Information can be obtained from city or township offices.

5 Services available

Depending on the type of business being established, services required may not be available.

6 Parking accessibility/facilities

The physical accessibility of the location must be congruent with the target market. If customers will be arriving by car, parking facilities should be available. If customers walk, then sidewalks should be in good condition. Proximity to transit service would be a factor in larger centres (Brandon, Winnipeg) especially if the target market generally travels by transit (e.g. teenagers) or if parking facilities are poor/inadequate.

7 Outlook for the area

Some assessment of future trends for the area should be made. Are people moving away, or are they moving in? Are any other stores being considered for construction? Are there new highways or bridges being built which will affect the traffic flow?

8 Psychological barriers

Some areas may suffer from a poor reputation as a high crime or undesirable neighbourhood, thus severely restricting traffic flow.

Manufacturers — Distribution

Manufacturers are concerned with physically **distributing** their products to ultimate users, whether those users be consumer or industrial. There are a number of different methods of distribution or **channels** that can be used:

1 Direct channel

This method moves goods directly from the manufacturer to the consumer, usually either on a door-to-door or mail order basis.

2 One-stage channel

This method moves products from the manufacturer through retail outlets to the customer. In some cases the retail outlets are fully owned by the manufacturers, (e.g. Firestone) though this is generally uncommon.

3 Traditional channel

The most common method of distribution: manufacturer to wholesaler to retailer to consumer.

4 All-aboard channel

This method includes an agent acting as an intermediary between the manufacturer and wholesale outlets.

Middlemen are used because of their expertise in marketing and distribution. Manufacturers do not have to establish their own sales force, network of contacts and specialized knowledge, but instead take advantage of the existing channels of distribution. The middlemen can perform marketing tasks and functions more efficiently than could a manufacturer who would have to start out from square one.

There are a number of guidelines for channel selection:

1 begin with the consumer and work backwards to the producer, in order to judge the efficiency of the channel;

2 selection should be consistent with marketing objectives;

3 selection should provide a predetermined share of the market;

4 use of channel should not shut off others;

5 there should be no weak links (the channel is only as strong as its weakest link);

6 channel decisions should be responsive to change;

7 costs of distribution must be considered — the more levels involved in the channel, the higher will be the ultimate cost to the consumer as each agent takes a profit;

8 control over product is lessened, the more links there are between manufacturer and the retailers;

9 nature of the market: (a) type (consumer goods vs industrial goods); (b) size; (c) location; (d) volume; (e) customer habits;

10 product characteristics.

The actual physical distribution of the product involves 5 basic decisions:

1 Determine inventory locations

The number and locations of warehouses must be determined, on the basis of cost, nature of the market and the nature of the product. A centralized system can be better controlled and is more efficient in materials handling.

2 Maintain an inventory control system

In deciding how much inventory to hold, the cost of carrying inventory has to be weighed against the cost of lost sales. The cost of carrying inventory is quite high in these days of high interest rates, so to be able to fill 100% of orders promptly may mean you have too much inventory.

3 Establish a materials handling system

The warehouse and equipment should be carefully selected so as to minimize the handling costs (which can be quite substantial).

4 Establish procedures to process orders

Such procedures include decisions about credit, invoice preparation and collections. Service could be the determining factor in keeping customers in a competitive situation, so mistakes and slowness should be avoided.

5 Select a method of transportation

Within Manitoba, choices may be somewhat limited. Generally, however, the 5 basic methods available are air, highway, rail, water and pipeline. For many areas, moving goods by highway is the only alternative. Options increase the further products are to be moved.

The choice of the appropriate channel of distribution is dependent on a number of factors, ranging from capabilities of the manufacturer, to the nature of the product, to the characteristics of the market. Convenience goods (cigarettes, candy, magazines) must have wide distribution, for consumers will not go out of their way to buy them. Specialty goods can have more limited distribution (one retail outlet) as people are willing to make an effort to obtain the product.

The key is to have the products in the right places so that they are available to the target market. If you are selling granola bars, then you should not be distributing them through only one retail outlet. If you are selling Lada automobiles, you do not have to sell them on every street corner.

In every chain of distribution, there is one member — to a greater or lesser degree, known as the captain. By example, in the steel industry, the manufacturers set price — in the dress tie business the store sets the price, based on what consumers are willing to spend. Sometimes the consumer will demand a product be available. Do you know of a food store that could afford not to stock Campbell's soups?

The Manitoba Trade Directory lists all products manufactured and distributed in Manitoba as well as their respective manufacturers and distributors, and can be seen at the Business Library located at 6th Floor - 155 Carlton Street, phone: 945-2057.

PROMOTION

Promotion is the function of informing, persuading and influencing the consumers' purchase decisions. There are four general types of promotion: (1) advertising; (2) sales promotion; (3) publicity/public relations; (4) personal selling. The choice of the activities used will be determined by a number of factors, including:

Product type;

State of the market;

Stage in the life cycle of the product;

Competitive activity;

Objectives of the promotion; and

Distribution channels being used.

Advertising

The three major forms are the mass media (television, radio, magazines, transit), point-of-sale, and word-of-mouth. The latter, acquired with good service, a good product and patience, can be the most effective advertising for a business. It cannot be purchased, but can only be built up over time.

The success of any advertising will depend to a large extent on the ability to identify the target group properly and to outline objectives clearly. In selecting a medium, consideration has to be given to its exposure to the target market, for in advertising rarely does the advertiser want the message to reach everyone. A store owner in The Pas would not want to advertise in MacLean's, for the message would reach only a small percentage of the target market. It would be more logical, cheaper, and more effective, in terms of reaching that market, to advertise in a local newspaper. Advertising can be directed toward retailers, wholesalers, or government, as well as to consumers.

A number of media can be used. Newspapers are flexible, timely and generally most appropriate for the small retailer. There are a variety of newspapers available in Manitoba, from the Winnipeg Free Press to the many community weeklies. Choices have to be made about the sizes of the ad, the timing, the placement on the page and within the newspaper.

Again, remember the target market. Sporting goods stores advertise in the sports section, because more of their target market reads that section than others.

Magazines reach a wider market, but that probably will mean that the target market makes up a low proportion of those being reached. Manitoba companies should advertise in national magazines only if they are trying to reach people across Canada with their message. Trade journals (Canadian Jeweller, Canadian Grocer) reach more specific groups, and manufacturers and wholesalers may want to advertise in them. Trade journals are read not by consumers but by those involved in the trade, and retailers will probably therefore have no use for advertising in such journals.

Radio and television advertising is more costly than newspapers. Since such operations are monitored closely by the Bureau of Broadcast Measurement, statistics are available on the audiences that are tuned in to various programs. Again, it is important to broadcast messages during times when it is most likely that the members of the target market will be listening. Virden stores need not advertise on CKY radio, for the message will reach, on a proportionate basis, only a small part of their target market. This message will reach many people who will not be shopping in Virden, and the cost per target member reached will be high.

Direct mail advertising is costly on a per unit basis, but it can be directed specifically toward the target market. Flyers can be distributed in neighborhoods around the store, or brochures can be sent to potential retail outlets. It is a selective means of advertising, one that reaches the target market most effectively.

Outdoor advertising (billboards, signs) is usually low cost, relatively, and highly flexible. It is most suitable to those type of businesses which otherwise have difficulty reaching potential customers. Service stations, motels, hotels, which cater to highway traffic can benefit through outdoor

ads. Other advertising forms which should not be forgotten include the yellow pages, flyers, and the signs outside your store.

A business should not use one form of advertising exclusively, as research has shown that combining forms greatly increases the effectiveness of the advertising. The consideration in choosing the medium should be the cost per target member reached. Such figures may be at times difficult to obtain but some approximation should be made to guide media selection.

Sales Promotions

Activities and devices which support the efforts of salesmen and advertising campaigns are called sales promotions. They include such things as calendars and novelties, point of purchase displays, calling cards, contests, free samples, and trade show exhibits. There are many such trade shows held in Canada each year, and they offer manufacturers and distributors an opportunity to display their products, both to consumers and to retail outlets and distributors. Among the shows are Bridal Fair (Toronto), Canadian Home Improvement Show (Toronto), Canadian Craft Show (Toronto), Vancouver Home and Garden Show, as well as Manitoba's own Provincial Exhibition (Brandon), Home Expressions, and the Manitoba Industrial Business Show (both in Winnipeg). A complete list of such trade shows is published annually in "Canadian Industry Shows and Exhibitions". A copy of that publication is available at the Business Resource Centre or Manitoba Industry, Trade and Tourism Library.

Publicity/Public Relations

Publicity is free exposure in the media, in the form of news reports. It is difficult for the small entrepreneur to obtain such publicity, except on a very occasional basis. More commonly, businesses attend to public relations by making donations (to school activities, at charity events, etc.) or by sponsoring athletic teams. Such exposure of the business' name is especially beneficial at the outset stage, when it is also likely that the business can least afford such expenditures. It is important to evaluate all alternatives and not spend money on public relations indiscriminately.

Personal Selling

This type of promotion involves the direct, face-to-face relationship with the customer. It includes chatting it up, explaining the product, perhaps persuading the customer to buy. The degree of personal selling required varies from product to product, and is particularly applicable when

- the product requires demonstration or is new and unfamiliar to the buyer (e.g. makeup);
- the product involves a major expenditure and is infrequently purchased (houses, cars, furniture); or
- the product has a high unit price that requires security (watches, jewelry).

Some degree of personal selling is always required, if nothing more than simply being polite, making conversation and making certain that all the customer's needs have been met. Customers who have unpleasant experiences with sales staff are not only likely to stop patronizing the store, they are also likely to give the store adverse publicity.

The role of salespeople is discussed further in the "Retailing" section of this handbook.

Conclusion

There are three general purposes of promotional activities:

The first is to **provide information.** If you are opening a new store or introducing a new product, you must build consumer awareness of your existence. Promotion of products which are early in their product life cycle should be geared toward providing information.

A second stage is to **persuade.** Producers attempt to persuade potential customers that they have a better product than the opposition (for example, the Pepsi Challenge).

At a third stage, advertisers simply **remind** consumers that the product is still available, and where it can be purchased. Coca-Cola, Long Distance and Milk are three products which basically use reminder advertising.

The type and scope of promotional activities that you need to undertake will depend to a degree on what the promotion is intended to do. There are a number of possibilities:

1 introduce a new product;

2 enter a new market;

3 obtain a new dealer outlet (for manufacturers or distributors);

4 increase or maintain sales;

5 build or maintain the image of the business and/or product;

6 support other selling efforts;

7 reach customers inaccessible by salespeople; or

8 educate the public.

There are a number of ways of deciding how much you should spend on your promotional budget. Commonly used methods include:

1 **Fixed percentage of sales**

This is a very simple method of determining promotional expenditures, but is one that is not entirely logical. It makes promotion the result of sales, not the cause. Its simplicity, however, may make it appropriate for many small businesses.

2 **All you can afford**

This "blind" approach may work in some cases, but it establishes benchmarks for the future which may be entirely inaccurate.

3 **Matching the competition**

Figures available in trade journals, etc. for the "typical" business can give you a useful starting point for judging the appropriateness of your spending. There are drawbacks to this approach, as each firm has its peculiar needs which must be met, and to follow the "industry average" may be simplistic.

4 **Achieving sales objective**

Promotion budgets for coming periods are decided according to the sales objectives. A promotion budget is set which will allow the desired sales level to be met.

The general approach to promotion thus involves selecting a target audience, setting clear and measurable promotion objectives, establishing a promotion budget, and selecting the right mix of the four methods.

EVALUATING AND MONITORING RESULTS

There is little sense in taking action of any kind if it is not to be watched over so that adjustments can be made if objectives are not reached. The monitoring involves preparation of budgets and comparisons with actual results, and an assessment of performance in the light of the marketing objectives that were established. Did you increase sales by the desired 20%? What proportion of the market did you actually control?

The Action Plan that you have drawn up should be reviewed at least annually to decide if the marketing mix should be changed in any way. Some assessment should be made of the contribution of each of the 4 P's — price, place, product and promotion — to the performance results. The feedback you have received, commonly called experience, should enable you to improve the quality of your decisions.

RETAILING

This marketing handbook has been written so that it is of use to all small entrepreneurs, whether they be in the retail, service or manufacturing sector. Since, however, many small businesses are involved in the retail trade and face specific problems, this section addressing certain areas of retailing is included. Retailers should carefully read the other sections of this volume and apply the advice to their situation. Brief mention will be given here to exterior and interior design, display, and sales people.

EXTERIOR DESIGN

The exterior of your store should attract, entice or at least spark the interest of potential customers. A good design will help to sell your product, but a poor design will not. The elements of the exterior include a sign (should indicate the name and type of store), the marquee (you may want an awning of some sort), the display windows, and the actual entrance. If possible, for security reasons, you should have only one public entrance.

The overall exterior appearance of the store should project trust, dependability, and it should convey the appropriate store personality so that it attracts the target customer. The store should be well defined as separate from its neighbors, yet it should also fit in with the character of the local area (e.g. Osborne Village type shops).

INTERIOR DESIGN

Inside the store, atmospherics, or the designing of space so as to create certain effects in buyers, can be used to improve the possibilities of making a sale. Elements of interior design thus include anything that contributes to the store's atmosphere — appeals to the senses, physical layout, and groupings of merchandise.

Some retailers make appeals to the senses in order to formulate the store's atmosphere. Included are:

1 Smell

A bakeshop should smell like a bakeshop. The odor of freshly baked products can be used even outside the store to attract customers. Consideration should always be given to smell even if the products themselves are odorless.

2 Sound

Many stores play music, which affects the mood and perhaps the inclination of the shoppers. The music must fit in with the overall store image — an exclusive jewelry store like Birks will not play loud rock music, but it may be heard in a store with a younger clientele, such as Thrifty's.

3 Touch

Having products on display so that shoppers can pick them up and touch them should increase sales (see the following section on displays).

4 Sight

The color used in decorating the store greatly affects its atmosphere. Colors mean different things to different people, but generally, for instance, yellow is cheerful, green is subdued, and white is clean. Thus if you have a shop where it is important to convey an image of cleanliness (a bakery or a butcher shop), white should be the dominant decorating color. Colors are also used as themes at various times of year — red for Valentine's Day, green for St. Patrick's Day, orange for Hallowe'en.

The appropriate layout pattern within the store depends on the type of merchandise you are selling. Grocery stores use a grid pattern which aids the traffic flow and at the same time requires shoppers to pass by displayed merchandise. A similar pattern is not used in a clothing store, where shoppers are usually looking for a particular item and are not likely to purchase others just on an impulse.

Consideration must also be given to the groupings of the merchandise, whether it should be done by generic group or by consumer preference.

DISPLAYS

Displays involve the nonpersonal presentation of merchandise and/or information to the target market within the confines of the store.

A good display has a number of characteristics:

- it has a theme;
- it is distinctive;
- it is appropriate and tasteful;
- it is clean, neat and attractive;
- it provides information;
- it is simple;
- it shows merchandise in use;
- it conveys the appropriate store image; and
- it is safe and secure.

To protect the security of displays, one should (a) display only one item of a pair (shoes, for example); (b) use the cheapest items possible; (c) attach clothes and jewelry to mannequins or displays; and (d) use enclosed cases in less secure areas.

SALESPEOPLE

To most customers, the salesperson is the store. Salespeople are more important in some types of retail establishments than they are in others. In some cases they function only as order takers (gasoline attendants, McDonald's counterpeople) and do not "sell" the merchandise. Others act as order handlers (supermarket checkout persons, for example), again not selling products but all the same having to greet customers and answer questions. A more important role is played by those who are order getters (furniture, car, and clothes salespeople). They have to convince the customer, in most cases, to make the purchase. An important part of the selling process involves the presentation of the merchandise to the shopper. Some general guidelines for that presentation include:

1 **Don't sell the steak, sell the sizzle**
You are selling the benefits that the customer will receive from the product (the taste of barbecued Grade A Beef) not the product itself (a bloody hunk of meat).

2 **Obtain customer involvement**
Have customers try on clothes, shoes, or jewelry, or take a car for a ride. The customer may not want to return to the state of being without the product.

3 **Don't confuse the customer**
If you are demonstrating a number of models or items, limit the customer's choice to perhaps 3 or 4. If he has to select one of 10 or 12 watches, for instance, he may find the choice too difficult and not buy anything.

4 **Demonstrate with a flair**
You should know your product and be able to demonstrate its use efficiently.

5 **Adapt your message to your customer**
You should not necessarily use the same routine for all customers. You have to judge their needs and quirks and tailor your sales presentation accordingly.

An unpleasant experience with a salesperson can influence a shopper to stop patronizing a store, perhaps only for a short time, but perhaps indefinitely. That customer will undoubtedly damage the store's image by informing friends of his opinion of the store and its staff. It is extremely important, therefore, to be gracious to all customers, and to direct all salespersons to do the same. Salespeople should possess good judgement, be tactful, have pleasant personalities, and have clean and neat physical appearances. They are **the** link between your store and its customers.

IN CLOSING

This, and other publications in this series, with examples and explanations, have been published by the Business Resource Centre to help and encourage Manitobans who wish to embark or improve on business ventures in the manufacturing, retail, service and construction fields. If you would like to discuss any aspect of your business, feel free to call the Centre and arrange to meet with one of our counsellors.

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SOURCES OF INFORMATION

Information generally increases the quality of decision-making. You should constantly be gathering information about forces that affect your business. Some of the more **formal** sources you might use include:

1 Business Resource Centre

The Centre in Winnipeg and the Western Regional Office in Brandon have various informational materials on hand. The Small Business Library located at 6th Floor, 155 Carlton Street, is an information base available to all small businesses in Manitoba.

2 Libraries

Most public libraries will have some marketing materials. More extensive collections can be found at:

- Administrative Studies Library
  University of Manitoba
- Library, University of Winnipeg
- Manitoba Industry, Trade and
  Tourism Library, Phone: 945-2057
  608-155 Carlton Street, Winnipeg.
- Library
  Red River Community College, Winnipeg
  Assiniboine Community College, Brandon
  Keewatin Community College, The Pas.

3 Trade Journals

There are many such journals (Canadian Jeweller, Canadian Grocer), and you should subscribe to the one relevant to your business. There are also more general journals, such as "Retail Week", "Marketing" and "Business Week" which at times provide very useful information. A listing of these is available at Manitoba Industry, Trade and Tourism Library.

4 Statistics

Statistics Canada publishes various statistics, some of which may be useful, especially if you are conducting market research. Their Manitoba office is located at 266 Graham Avenue in Winnipeg (983-4020). The Manitoba Bureau of Statistics collects and publishes a variety of statistics on the economy of Manitoba. They are located at 600-155 Carlton Street in Winnipeg (945-2982).

5 Financial Post

Besides their regular journal, the Financial Post publishes a number of materials of interest to small business. Included are the "Financial Post Survey of Markets" (annual), "Marketing for Small Business", and "How to Make Advertising Work For Your Small Business". These publications are available at the Manitoba Industry, Trade and Tourism Library and may be obtained at your local library.